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SUBJECT: IRAQI DPM CHALABI SUPPORTS OUTREACH TO SUNNIS,
MODERATION IN DE-BAATHIFICATION

REF: BAGHDAD 3069

Classified By: Ambassador Khalilzad for reasons 1.4 (b) and (d)

11. (C) Summary. Deputy Prime Minister Chalabi says he supports outreach to the mass of the Sunni population, claims to desire Sunni inclusion in the political process and feels this will reduce tension in Iraq. There is now a plan before the Cabinet, he said, to provide pensions to senior former military officers and selected Baathists to reach out to the disaffected from the previous regime in Iraq. Chalabi is concerned about the budget deficit and the cost of subsidies to the ITG. He has taken a personal interest in infrastructure security and is orchestrating the ITG's efforts at the direction of the Prime Minister. Chalabi says that government officials do not get out to see the people of Iraq, and are isolating themselves in the Green Zone. For his part, he has engaged in outreach to the Sadrists to bring them into the political process. Chalabi asserts that the TNA needs to make a "few changes" to Iraqi Special Tribunal law for it to "work properly and to legally accomplish its tasks." Chalabi further said that U.S. reconstruction efforts have fallen short of their goals, citing shortfalls in the electric power sector. He claimed that the Contract Review Committee of the ITG, which he chairs, had reduced corruption. He also said the U.S. should do more with private sector investment in Iraq, and requested U.S. support for scholarships for Iraqi students in the United States. End summary.

SUNNI INCLUSION IN POLITICS AND DE-BAATHIFICATION

12. (C) The Ambassador paid an initial call on Deputy Prime Minister Ahmed Chalabi on July 25. Chalabi said the crux of the problem with the Sunni population is that it needs to be included in the political process. Since 2003, the result of the Sunni population's isolation and its identification with Baathism by both the U.S. and the Iraqi governments has been unproductive. The CPA Order on De-Baathification was too broad. "The issue is this," Chalabi said, "We will not succeed if we continue to isolate the Sunni." There were 3 million people in the Baath Party, and 65 percent of them were Shia. We need new laws on de-Baathification, and we need to moderate the TNA proposals, as some of them are much too radical, said Chalabi.

13. (C) Chalabi used the example of Tal Afar as a place where the outreach to the Sunni is working. Tal Afar is a place where it is better to "talk first, before shooting"; consequently, he invited leaders of both sides, Sunni and Shia, to a four-hour meeting. The Sunni declared in advance that the Shia were "agents of Iran," but came to the meeting anyway. When the opposing sides met, they found they were all relatives, could talk together, and then concluded: "This shows how foolish we all are." Chalabi said he told the group, "We need to solve these differences by talking, not by arms and soldiers. Do you want to be a ghost town like Fallujah?"

14. (C) Chalabi used another example of political mediation, this time in Latifiyah. A man whose father had been killed went to see the insurgent members of the Sawuara Tribe who had killed his father. He asked to meet with the tribal leaders, and a man appeared and said his brother was a tribal leader. The man asked what it would take to end the conflict—an amnesty? The answer was, "Yes, but he has killed many people." Chalabi ended this example by saying he would wait a bit before reaching a conclusion, to see if the tribes are really serious. He did add that this is the place where more than 250 bodies had been thrown into the river, but mediation may work in the future.

15. (C) The final example Chalabi gave of a political approach used to solve grievances related to Al Kut. Chalabi explained that in Al Kut, rumors were spreading that the police in the prison were torturing many people, and that the lawyers were extorting money from people to supposedly defend the prisoners in the jails. This was causing high levels of tension in the Sunni community. Sunni sheiks were invited to the prisons to see the prisoners themselves. They reported that they had talked with them and saw that the prisoners had not been tortured; they were even being held in air-conditioned cells. This process reduced the tension in

Al Kut, Chalabi said.

THE INSURGENCY

16. (C) "We need to figure out who is on our side in the North and Northwest, and protect them" said Chalabi. Al Zargawi has freedom of movement in the West. "We caught a suicide bomber, a Sudanese man, the MoI got him in Baghdad, and upon his capture he wanted to make a public statement, which was 'I would like to express my thanks to the people of Anbar, who fed me, sheltered me, and brought me to Baghdad'". Chalabi explained that the worst feature of the insurgency is its infiltration of the police and military. He then told the story of a man named Jadan who was the Police Chief in Anbar until the U.S. Marines found he had been giving arms to the insurgents and supporting them with information and protection.

17. (C) "Saddam's security plan for an insurgency against the American attackers is now being used against the Iraqi Government," said Chalabi. The insurgents are all around Baghdad, to the north, south, east and west. "Baghdad is under siege by the insurgents who are cutting off the fuel and water supply, and electric power."

18. (C) Chalabi said he has proposed a three-pronged strategy to combat the insurgency. He recommends telling the Sunni and Shia insurgents to 1) stop the incidents, 2) turn out the foreigners, and 3) release the hostages. He stressed that a political solution is required to solve the insurgency.

PENSIONS FOR MILITARY AND BAAHISTS

19. (C) Chalabi disclosed that a proposal was put forward to pay pensions to third and fourth tier Baathists at the last Cabinet meeting. This proposal, which would exclude approximately 2000 senior Baath party members, would cost about \$20 million to implement. He said there will also be a bill for military pensions at a cost of \$600 million. Chalabi feels this may reduce tension in Iraq. When asked how this might affect the insurgency, Chalabi said: "This is unknown, but such a measure would be part of a process to bridge the gap with former members of Saddam's Army. The Army was made up primarily of conscripts, perhaps 95 per cent, and they fled at the end of the war. It is the senior members we are reaching out to in this process."

BUDGETS, OIL INCOME, AND INFRASTRUCTURE SECURITY

10. (C) Chalabi said the ITG is facing an additional \$1.7 billion expenditure for fuel imports for the second half of the year. "We have signed an agreement to reduce subsidies for fuel, but the rise in oil prices has been a curse on Iraq. Iraqi refineries produce 10 million liters of fuel per day, but the demand is 24 million liters per day, which means purchasing 14 million liters of imported fuel at \$.55 per liter per day; we then sell it at 1.4 cents per liter. Some of this cost can be covered by the export of 250,000 barrels of oil per day from Kirkuk to Ceyhan, Turkey, thanks to the support of General Casey." Chalabi asserted that the northern pipeline to Ceyhan is fully open and that oil is flowing at 250 thousand bbl daily (a figure post is attempting to confirm).

11. (C) Infrastructure security has been a topic much discussed in the Cabinet, said Chalabi. He said he had held a meeting with the Minister of Defense (MoD) on this subject several months ago, who had told him it would cost \$600 million and would take six months to secure the route and oil pipeline to export oil out of Kirkuk to Turkey. He went on that Iraq has a protection plan and has allocated \$35 million for infrastructure security and, since then, \$200 million in oil exports have flowed from Kirkuk.

12. (C) Chalabi told us that securing the oil infrastructure began with an ill-fated plan by Hassan Jabouri. Eighteen Oil Security Battalions were formed under the Ministry of Oil; all were under strength with only about 250 soldiers in each battalion. Unreliable, the battalions were transferred to MoD, which rapidly became fed-up with their tribal affiliations. A decision was made by the ITG ministers to induct these battalions into the regular Iraqi Army. This process is now being completed in the northern part of Iraq in coordination with MNF-I. Chalabi has asked General Casey to assist in protecting the essential infrastructure of Iraq, to include oil and gas pipelines, and the electric power lines. "Baghdad is under siege," he told the General, "and we must deploy army forces."

13. (C) The Prime Minister authorized a memorandum on July 24 making Chalabi responsible for protection of infrastructure

in Iraq. Chalabi said he is working it through the National Energy Committee (NEC), which consists of the Ministers of Oil, Electricity, Water Resources, and is attended by the Ministers of Defense, Transportation, Trade, Interior, Industry and Minerals, and Finance as required. The Deputy Commander of the Armed Forces represents the military and coordinates overall planning of infrastructure protection for MoD. Chalabi said the security forces of the ministries, particularly the Electricity Protection Security Forces, were not capable of protecting the linear infrastructure, and did not even do a good job defending fixed sites. Chalabi requested that the USG establish joint working groups with the ITG to work these infrastructure security issues. He said he would hold a meeting of the NEC in the afternoon, about which we will report via septel.

OTHER SECURITY ISSUES

14. (C) Chalabi gave the Ambassador a copy of the memorandum from the Prime Minister referred to above, laying out the PM's "twelve point plan" on internal security issues, which had been discussed previously with Ambassador and General Casey. Ambassador and DCM expressed concern-as we have made clear with all our interlocutors-with any references endorsing the establishment of "militias". Chalabi, noting that the Speaker of the Assembly had agreed with him that it is a bad idea to establish militias, suggested that Iraq needed "night watchmen," not militias.

SYRIA, IRAN AND IRAQ

15. (C) Syria has invited the Prime Minister, said Chalabi. This seemed to be part of a ploy to get a three-way meeting with the Iranians, Syrians, and Iraq, according to Chalabi. The Prime Minister turned down the invitation. Chalabi said the Syrians should give Iraq the funds they owe it. The Finance Minister sent a letter to Syria June 24 requesting release of the funds, but this has not yet happened. Chalabi went on that "lots of other money is hidden in Syria." The Ambassador said we would work with Iraq to help settle the claims. Chalabi responded by saying there are many bogus claims from Syria, Jordan, and Lebanon.

CHALABI'S VIEWS ON THE ITG

16. (C) The ITG's ministers do not understand the people and their concerns since the Ministers do not move around to see Iraq, said Chalabi. "They stay in the Green Zone. They clamor to live in the Green Zone. We should not flee Baghdad, but we need to get out and see the people, which is why we liberated the country. It is a TV government."

17. (C) The Sadristes need to be better integrated in the political system, said Chalabi. He was to talk to Sadr later in the day, especially about Sadr's concerns about Baathists in government. He said he wanted Sadr's views on jobs and placement of people.

IRAQI SPECIAL TRIBUNAL

18. (C) Chalabi said he supports the independence of the Iraqi Special Tribunal. However, "there are two problems with the process. First, the legitimacy of the Tribunal is in doubt; we need a TNA law to fix that. Second, there needs to be continuity of law so as not to negate past laws; there must be amendments to the laws, not new laws." Chalabi followed this by saying, "If I were Saddam's lawyer, and one of the judges is a Ba'athist, I would conclude that this is an illegal tribunal." Chalabi suggested this is the case since some of the judges were Ba'athists. (COMMENT Chalabi is correct that the IS Statute states that no IST personnel shall have been members of the Ba'ath party. However, since membership in the Ba'ath party was a prerequisite for admission to the judicial institute, it would have been nearly impossible to find experienced judges who had never been Ba'ath party members. Nearly all current IST personnel were at one point party members; this fact was disclosed and reviewed during the personnel appointment process. Thus, the USG and others have read the Statute to preclude only high level Ba'athists from sitting on the Tribunal, and believe this is consistent with CPA Order No. 1's focus on high level party members. No current IST personnel were members of the top four ranks of the party. To alter that reading now, and to remove all Ba'athist members, even low level ones, would decimate the progress of the Tribunal and exclude some of the most productive, best trained judges. Additionally, we think it is legally questionable whether the De-Ba'athification

Commission may interfere with the positions of IST personnel.
END COMMENT.)

19. (C) The Ambassador then passed a non-paper to Chalabi recommending changes to some of the TNA-proposed amendments to the IST Statute (see reftel). Chalabi reviewed the non-paper and concurred in its recommendations. (COMMENT. One USG recommendation is that the TNA limit its proposed changes on the Ba'ath provision to state that only those IST personnel who held the rank of any of the top four levels of the Ba'ath party are precluded from serving on the Tribunal. While Chalabi appeared to agree with this proposal, we understand that the TNA has not modified its proposed amendments to reflect the USG suggestion. Post continues to engage on this issue and will press again with Chalabi and other leaders, as well as with TNA, the significant problems that would arise if the amendments were adopted unchanged. END COMMENT.)"

BUDGET FOR THE TNA

20. (C) The budget for the TNA, at 107 million Iraqi dinars, is inadequate to support the members and their work, said Chalabi. He supports raising the TNA budget to 78 billion Iraqi dinars for the salaries of the members and their staff. He said an additional \$10 million U.S. dollars has been allocated for consultants and studies.

RECONSTRUCTION AND CORRUPTION

21. (C) Chalabi said he supports the USG provincial reconstruction efforts, but is concerned that corruption is a greater problem at local levels. His overall assessment of the reconstruction effort is not favorable. He pointed to the electric power sector where, he said, more than \$2 billion in USG funds have been spent, and there is "not much to show for this effort." He did concede that the Musayyib gas turbine project is a success.

22. (C) Chalabi recommended that the Ambassador talk to the Prime Minister about corruption. Chalabi said he had written to the Prime Minister about contract corruption by the Iraqi Government. He was then delegated to oversee the Contracts Committee that reviews government contracts exceeding \$5 million. (Comment. We believe the floor is \$3 million. End comment.) When the Contracts Committee approves a contract, he said, the committee notifies the Ministry of Finance, which authorizes payment of the contract.

23. (C) Chalabi said the Contract Review Committee had recently approved two major contracts, each for 650,000 tons of wheat, one from Australia and the other from the United States. The Committee had also approved a contract for 250,000 tons of U.S. rice. It had reviewed a sugar contract with the wrong people for four million tons of sugar at a cost of \$1.2 billion, so the committee authorized a purchase of 168,000 tons of sugar from the London Exchange.

24. (C) Chalabi claimed that corruption has dropped 90 percent since the Contract Review Committee has been reviewing ITG contracts. "We look for the tell-tale signs of corruption." The Ambassador said we will work to find ways to help the Contract Review Committee Board. Chalabi concluded by saying that all funds from oil sales are now deposited in the DFI.

PRIVATE SECTOR

25. (C) Chalabi informed us that the Iraqi Private Sector Committee had been dissolved on May 24. "You should have protested!" he said. He went on that Iraq needs private sector investment in Iraq, and "we need to get the Americans on board."

SCHOLARSHIPS

26. (U) Chalabi requested that the United States increase the number of scholarships for Iraqi students to the United States. He said this is very important, and we need to get re-start a program. The Ambassador concurred and said he would send the Public Diplomacy Officer to see Chalabi to give him information on the opportunities to study in the USA. Chalabi replied that his daughter had just completed her Ph.D. at Harvard, and MacMillan publishers would publish her dissertation, which she had researched in the Middle East. He said she would return to Iraq shortly. The Ambassador responded that he is looking forward to meeting her, as we are interested in her insights on women in Iraqi society.

